

Statement Before
The Insurance & Real Estate Committee
Tuesday, February 18, 2014

Re: SB 14: An Act Concerning Pharmacy Audits and Electronic Funds Transfer Payments to Pharmacies

Good Afternoon Senator Crisco, Representative Megna and members of the Insurance Committee. My name is Margherita Giuliano and I am both a pharmacist and the Executive Vice President of the Connecticut Pharmacists Association. The Connecticut Pharmacists Association is a professional organization representing 1000 pharmacists in the state of Connecticut. I am here today to speak to SB 14: **An Act Concerning Pharmacy Audits and the Electronic Funds Transfer Payments to Pharmacies.**

This proposed audit legislation is asking for fair treatment of pharmacies during the audit process conducted on behalf of Pharmacy Benefit Managers (PBMs) or plan sponsors. This legislation is needed in order to take the powers of prosecutor, judge, and jury out of the hands of PBMs when it comes to pharmacy audit practices, and standardizes a currently unregulated business practice that is adversely impacting pharmacies all across Connecticut, as well as across the nation. Currently there are 22 states that have passed audit legislation and many other states where legislation is being introduced.

I want to be very clear so that the Committee understands that Pharmacists are not here asking for more money and we definitely are not here to protect those who commit fraud, waste or abuse. If a pharmacy is committing fraud, waste or abuse, we fully support turning them over to the appropriate regulatory board and action must be taken.

What we are asking is for you to pass legislation like many others states have already done – or are doing. PBM Audit Practices have become so predatory that national companies have been formed to help pharmacies with audits. One company, Pharmacy Audit Assistance Service (PAAS), has helped pharmacies recover more than \$74 million in inappropriate audit charge backs.

The proposed bill is similar to what was introduced last year. Since then, CPA has participated in a stakeholder's group to review and discuss areas of concern. The hope is that we can come to consensus to support meaningful legislation and eliminate this harmful anti-small business practice.

In reviewing this proposed language, we were very happy to see that it includes several substantive components. I have outlined a few areas that we would like to encourage discussion.

Section 1 should include a definition for fraud. Suggested language: Fraud means an intentional act of deception, misrepresentation, or concealment in order to gain something of value.

Section 1(3)(b)(1) should be deleted.

Section 1 (3)(b)(2) should be modified to read: "Except as required by state or federal law an entity conducting an audit may have access to a pharmacy's previous audit report only if the previous audit report was prepared by that entity." An entity conducting an audit for a PBM or Plan sponsor should only have access to the information that they are there to review. They should not have access to previous audit reports of a pharmacy. This should have no bearing and should be removed from the language.